

**ANNUAL REPORT  
CHECKLIST**  
for  
**FISCAL YEAR ENDED:**  
**September 30, 2013**

**R E C E I V E D**  
FEB 03 2014  
CONTINUING CARE  
CONTRACTS BRANCH

**PROVIDER:** Aldersly

**FACILITY(IES):** Aldersly

**CONTACT PERSON:** JoAnne Maxwell

**TELEPHONE NO.:** (415) 453-7425

**EMAIL:** joannemaxwell@aldersly.com

✓    ✓    ✓    ✓    ✓    ✓    ✓    ✓    ✓    ✓    ✓    ✓

Your complete annual report must consist of **3 copies** of all of the following:

✓ This cover sheet.

✓ Annual Provider Fee in the amount of: \$4,918

✓ If applicable, late fee in the amount of: \$ N/A

✓ Certification by the provider's chief *executive* officer that:

✓ The reports are correct to the best of his/her knowledge.

✓ Each continuing care contract form in use or offered to new residents  
has been approved by the Department.

✓ The provider is maintaining the required liquid reserve and refund  
reserve, if applicable.

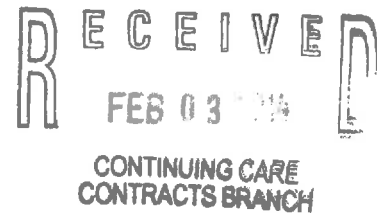
✓ Evidence of the provider's fidelity bond.

✓ The provider's audited financial statements, with an accompanying certified  
public accountant's opinion thereon.

✓ The provider's audited reserve reports (prepared on Department forms), with  
an accompanying certified public accountant's opinion thereon.

✓ The provider's "Continuing Care Retirement Community Disclosure  
Statement" for **each** community (total of four (4) copies to be included).

The Key Indicators Report is required to be submitted within 30 days of the due date of  
the submission of the annual report. (4 copies total)



February 5<sup>th</sup>, 2014


Continuing Care Contracts Branch  
California Department of Social Services  
744 P. Street, M.S. 10-90  
Sacramento, CA 95814

Enclosed are three copies of our Annual Report for the year ended September 30<sup>th</sup>, 2012, along with payment in the amount of \$4,918.00. At this time, I am certifying to the following with regard to the Annual Report for the year ended September 30, 2013:

1. The annual report is correct to the best of my knowledge
2. Each continuing care contract form in use or offered to a new resident has been approved by the California Department of Social Services

Please contact me if you need additional information

Sincerely,

  
JoAnne Maxwell, R.N.  
Executive Director

(415) 453-7425 • Fax (415) 453-6377  
326 Mission Avenue, San Rafael, CA 94901  
[www.aldersly.com](http://www.aldersly.com)

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CONTRACTS BRANCH

Aldersly

ANNUAL REPORT

September 30, 2013



# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)  
01/09/2014

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

**IMPORTANT:** If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER 1-312-704-0100  
Arthur J. Gallagher Risk Management Services, Inc.300 South Riverside Plaza  
Suite 1900  
Chicago, IL 60606  
Marcia L. HahnINSURED  
LCS Holdings Inc.400 Locust Street, Suite 820  
Des Moines, IA 50309

CONTACT NAME: Contacts below:

PHONE (A/C, No, Ext): Martha Triana@ajg.com FAX (A/C, No): 312-803-7443

E-MAIL ADDRESS: Allison\_Spadaro@ajg.com

INSURER(S) AFFORDING COVERAGE NAIC #  
INSURER A: NATIONAL UNION FIRE INS CO OF PITTS 19445

INSURER B:

INSURER C:

INSURER D:

INSURER E:

INSURER F:

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## COVERAGES

CERTIFICATE NUMBER: 38102078

CREVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	GENERAL LIABILITY						EACH OCCURRENCE \$
	COMMERCIAL GENERAL LIABILITY						DAMAGE TO RENTED PREMISES (Ea occurrence) \$
	CLAIMS-MADE <input type="checkbox"/> OCCUR <input type="checkbox"/>						MED EXP (Any one person) \$
							PERSONAL & ADV INJURY \$
							GENERAL AGGREGATE \$
	GEN'L AGGREGATE LIMIT APPLIES PER:						PRODUCTS - COMP/OP AGG \$
	<input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC						\$
	AUTOMOBILE LIABILITY						COMBINED SINGLE LIMIT (Ea accident) \$
	ANY AUTO						BODILY INJURY (Per person) \$
	ALL OWNED AUTOS						BODILY INJURY (Per accident) \$
	HIRED AUTOS						PROPERTY DAMAGE (Per accident) \$
							\$
	UMBRELLA LIAB						EACH OCCURRENCE \$
	EXCESS LIAB						AGGREGATE \$
	DED <input type="checkbox"/> RETENTION \$						\$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY						WC STATU-TORY LIMITS <input type="checkbox"/> OTH-ER <input type="checkbox"/>
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)						E.L. EACH ACCIDENT \$
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE - EA EMPLOYEE \$
							E.L. DISEASE - POLICY LIMIT \$
A	Crime			04-505-28-78	06/30/13	06/30/14	Limit 5,000,000 Erisa Included

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

Aldersly

## CERTIFICATE HOLDER

Evidence of Insurance

## CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

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CONTRACTS BRANCH

Aldersly

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

September 30, 2013 and 2012

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## INDEPENDENT AUDITORS' REPORT (continued)

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aldersly as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*DZH Phillips LLP*

San Francisco, California  
December 3, 2013

## Aldersly

## STATEMENTS OF FINANCIAL POSITION

September 30, 2013 and 2012

ASSETS		2013	2012
Current assets			
Cash and cash equivalents	\$	1,080,120	\$ 906,292
Investments (Note B)		11,812,014	8,919,852
Accounts receivable - residents (Note C)		225,592	288,564
Entrance fees receivable (Note G)		203,273	511,808
Accounts receivable - other		-	8
Interest and dividends receivable		1,221	765
Prepaid expenses		194,957	171,338
Total current assets		<u>13,517,177</u>	<u>10,798,627</u>
Property, buildings and equipment - net (Note D)		10,382,885	10,427,934
Assets whose use is limited or restricted (Note E)		728,602	723,418
Other noncurrent assets			
Long-term investments (Note B)		4,732,894	4,028,256
Deferred financing costs, net of accumulated amortization of \$356,319 in 2013 and \$323,077 in 2012		564,504	597,745
Other		5,582	5,582
		<u>5,302,980</u>	<u>4,631,583</u>
Total assets	\$	<u>29,931,644</u>	<u>\$ 26,581,562</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued expenses	\$	125,029	\$ 147,491
Accrued salaries and wages		301,528	300,311
Deposits received		210,683	127,132
Current maturities of long-term debt (Note F)		213,075	202,250
Total current liabilities		<u>850,315</u>	<u>777,184</u>
Long-term liabilities			
Unearned entrance fees - exhaustible (Note G)		2,512,775	2,258,599
Unearned entrance fees - non-refundable (Note G)		2,006,438	1,797,198
Guaranteed refunds (Note G)		1,528,160	1,181,715
Long-term debt (Note F)		5,593,768	5,806,847
		<u>11,641,141</u>	<u>11,044,359</u>
Total liabilities		12,491,456	11,821,543
COMMITMENTS AND CONTINGENCIES (Note M)		-	-
NET ASSETS			
Unrestricted and unappropriated		11,638,026	10,440,743
Unrestricted - board designated (Note H)		5,721,737	4,229,151
Temporarily restricted (Note I)		80,425	90,125
		<u>17,440,188</u>	<u>14,760,019</u>
Total liabilities and net assets	\$	<u>29,931,644</u>	<u>\$ 26,581,562</u>

The accompanying notes are an integral part of these statements.



Aldersly

STATEMENTS OF ACTIVITIES

Years ended September 30, 2013 and 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenues</b>						
Residential care fees	2,448,247	\$ -	2,448,247	\$ 2,346,438	\$ -	2,346,438
Health care center fees	2,359,917	-	2,359,917	2,620,771	-	2,620,771
Assisted living fees	1,845,619	-	1,845,619	1,700,916	-	1,700,916
Other resident services	19,160	-	19,160	19,494	-	19,494
	6,672,943	-	6,672,943	6,687,619	-	6,687,619
<b>Other operating revenue</b>						
Accommodation fees amortization	878,779	-	878,779	826,918	-	826,918
<b>Total revenues</b>	<b>7,551,722</b>	<b>-</b>	<b>7,551,722</b>	<b>7,514,537</b>	<b>-</b>	<b>7,514,537</b>
<b>Expenses</b>						
General operating expenses	5,110,051	-	5,110,051	5,118,073	-	5,118,073
Marketing expenses	176,848	-	176,848	197,012	-	197,012
Administrative expenses	1,390,445	-	1,390,445	1,316,468	-	1,316,468
	6,677,344	-	6,677,344	6,631,553	-	6,631,553
<b>Other operating expenses</b>						
Depreciation and amortization	610,449	-	610,449	589,152	-	589,152
Interest	300,941	-	300,941	308,893	-	308,893
Miscellaneous expense	82,892	-	82,892	65,058	-	65,058
	994,282	-	994,282	963,103	-	963,103
<b>Total expenses</b>	<b>7,671,626</b>	<b>-</b>	<b>7,671,626</b>	<b>7,594,656</b>	<b>-</b>	<b>7,594,656</b>
<b>Change in net assets before other revenues (expenses)</b>	<b>(119,904)</b>	<b>-</b>	<b>(119,904)</b>	<b>(80,119)</b>	<b>-</b>	<b>(80,119)</b>
<b>Other revenues (expenses)</b>						
Donations, gifts and bequests	1,084,805	1,360	1,086,165	52,165	9,700	61,865
Loss on disposal of assets	(32,239)	-	(32,239)	(74,359)	-	(74,359)
Interest and dividend income	411,818	-	411,818	346,010	-	346,010
Realized and unrealized gain on investments	1,334,329	-	1,334,329	1,708,404	-	1,708,404
Miscellaneous income (expenses) - net	-	-	-	(12,991)	-	(12,991)
Net assets released from restrictions	11,060	(11,060)	-	-	-	-
	2,809,773	(9,700)	2,800,073	2,019,229	9,700	2,028,929
<b>CHANGE IN NET ASSETS</b>	<b>2,689,869</b>	<b>(9,700)</b>	<b>2,680,169</b>	<b>1,939,110</b>	<b>9,700</b>	<b>1,948,810</b>
Net assets - beginning of year	14,669,894	90,125	14,760,019	12,730,784	80,425	12,811,209
<b>Net assets - end of year</b>	<b>\$ 17,359,763</b>	<b>\$ 80,425</b>	<b>\$ 17,440,188</b>	<b>\$ 14,669,894</b>	<b>\$ 90,125</b>	<b>\$ 14,760,019</b>

The accompanying notes are an integral part of these statements.

## Aldersly

## STATEMENTS OF CASH FLOWS

Years ended September 30, 2013 and 2012

	2013	2012
Cash flows provided by (used in) operating activities:		
Cash received from residents	\$ 8,816,649	\$ 8,021,149
Cash received from donors	97,026	61,865
Other cash receipts (payments)	-	(12,991)
Investment income received	411,362	349,844
Cash paid for interest on long-term debt	(300,941)	(308,893)
Cash paid to suppliers and employees	(6,768,500)	(6,614,374)
Cash paid for fundraising costs	(36,601)	(22,943)
Net cash provided by operating activities (Note K)	<u>2,218,995</u>	<u>1,473,657</u>
Cash flows provided by (used in) investing activities:		
Net change in assets held in trust	(5,184)	(7,891)
Capital expenditures	(564,397)	(466,486)
Proceeds from sales of investments	7,442,085	8,237,008
Purchase of investments	(8,715,417)	(9,055,952)
Net cash used in investing activities	<u>(1,842,913)</u>	<u>(1,293,321)</u>
Cash flows provided by (used in) financing activities:		
Principal payments on long-term debt	(202,254)	(196,450)
Net cash used in financing activities	<u>(202,254)</u>	<u>(196,450)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	173,828	(16,114)
Cash and cash equivalents at beginning of year	<u>906,292</u>	<u>922,406</u>
Cash and cash equivalents at end of year	<u>\$ 1,080,120</u>	<u>\$ 906,292</u>

The accompanying notes are an integral part of these statements.

Aldersly

NOTES TO FINANCIAL STATEMENTS

September 30, 2013 and 2012

NOTE A – DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Founded in 1921 by Danish immigrants as a not-for-profit retirement community located in San Rafael, California, Aldersly (the Organization) today is a diverse and vibrant mix of residents from many cultural backgrounds. Aldersly is a continuing care retirement community that offers three lifestyle options - Independent Living, Assisted Living, and the Health and Rehabilitation Center. Residents are able to seamlessly transition between care levels, as necessary.

A summary of significant accounting policies applied in the preparation of the accompanying financial statements follows:

Net assets

The net assets of the Organization are reported in groups as follows:

*Unrestricted:*

Net assets that are not subject to donor-imposed stipulations. Donations received and spent in accordance with donor-imposed stipulations in the same reporting period are also included in this classification.

*Temporarily restricted:*

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time.

*Permanently restricted:*

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Currently, the Organization has no permanently restricted net assets.

Income taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code, Section 23701d. Accordingly, it has not provided for income taxes in these financial statements.

Each year, management considers whether any material tax position the Organization has taken is more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions the Organization has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these financial statements. Tax returns for years subsequent to September 30, 2009 are subject to examination by federal and state tax authorities.

Aldersly

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2013 and 2012

NOTE A - DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (continued)

Cash and cash equivalents

The Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization classifies cash held in money market funds by investment custodians as short-term investments.

Concentrations of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Accounts receivable - residents

Resident accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. The Organization provides for an allowance for doubtful accounts based on management's estimate of the collectability of accounts receivable. Receivables are considered impaired if full payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Management believes the full amount of accounts receivable is collectable therefore no allowance for doubtful accounts is recorded as of September 30, 2013 and 2012.

Investments

Investments consist of marketable equity and debt securities, and are presented in the financial statements at their fair value. Investment income, which consists of dividend and interest income and unrealized and realized gains (losses) on investments, is shown in the statement of activities.

Fair value measurements

The Organization is required, under an accounting pronouncement for fair value measurements, to consider the use of market-based information over entity specific information in valuing its marketable investment securities. The pronouncement establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

Aldersly

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2013 and 2012

NOTE A - DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

The three-level hierarchy for fair value measurements is defined as follows:

- *Level 1* inputs to the valuation methodology - quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2* inputs to the valuation methodology - quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the investment.
- *Level 3* inputs to the valuation methodology - unobservable and significant to the fair value measurement.

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

All of the Organization's investments are classified as Level 1, with the exception of debt securities which are classified as Level 2. Funds held as investments by the bond trustee are classified as Level 2.

Property, buildings, and equipment

Property, buildings and equipment are carried at cost. Donated assets are recorded at fair market value at the date of donation. Depreciation is provided on the straight line method over the estimated useful lives of the assets, which range from five to forty years. Maintenance, repairs and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains or losses on dispositions of property, buildings and equipment are included in the statement of activities.

Assets whose use is limited or restricted

Assets whose use is limited or restricted represents assets held by trustees under indenture agreements. These assets are presented in the financial statements at their fair value. The underlying investments are held in marketable debt and equity securities.

Deferred financing costs

Deferred financing costs are amortized on the straight-line basis over the term of the related financing.

Aldersly

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2013 and 2012

NOTE A - DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entrance fees

The Organization has entered into agreements with most of its residents, whereby the Organization agrees to provide continuing care and lodging for the residents in exchange for a one-time entrance fee paid upon occupancy plus a monthly fee thereafter. Under certain circumstances, the agreements provide the resident with the right to a refund or credit, which is reduced for each month of residency, subject to a minimum of 10% of the exhaustible portion of the entrance fee. California Health and Safety Sections 1771 and 1793 require a reserve for refundable contracts be established if refund rights are not exhausted within six years. Refund rights are typically exhausted within five years, for non-guaranteed refundable contracts. For contracts that guarantee a specific refund amount that is not exhausted over time, a reserve is maintained. In addition, the refundable fees are included in liabilities (refer to Note G).

Non-refundable entrance fees are recognized as revenue over the expected remaining lives of the residents, using the straight-line method of amortization. Upon the death or withdrawal of a resident, unrecognized entrance fees, less any refundable amounts, remain the property of the Organization and are recognized as revenue.

Donated services

The Organization receives various types of volunteer services. Contributed services are not recognized unless the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased. The services received do not meet the two recognition criteria described above. Accordingly the value is not reflected in the financial statements.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the September 30, 2012 financial statements to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent events

Management has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were available to be issued, December 3, 2013.

Aldersly

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2013 and 2012

NOTE B - INVESTMENTS (continued)

The investment return for the years ended September 30, 2013 and 2012 is as follows:

	2013	2012
Interest and dividend income	\$ 411,818	\$ 346,010
Realized gains	456,551	187,001
Unrealized gains	877,778	1,521,403
	<u>\$ 1,746,147</u>	<u>\$ 2,054,414</u>

The investment return for the years ended September 30, 2013 and 2012 includes \$581,478 and 769,060, respectively, in earnings from the board designated Endowment Fund.

Investment management fees and other investment-related expenses for the years ended September 30, 2013 and 2012 amounted to \$75,959 and \$59,542, respectively.

NOTE C - ACCOUNTS RECEIVABLE-RESIDENTS

Accounts receivable - residents consist of the following:

	2013	2012
Private	\$ 79,204	\$ 8,541
Medicare/MediCal	125,833	265,937
Other insurance	20,555	14,086
	<u>\$ 225,592</u>	<u>\$ 288,564</u>

Aldersly

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2013 and 2012

NOTE D - PROPERTY, BUILDINGS AND EQUIPMENT - NET

Property, buildings and equipment consist of:

	2013	2012
Land	\$ 232,822	\$ 232,822
Buildings	15,387,766	15,127,219
Land improvements	196,134	196,134
Building improvements	2,183,019	1,944,280
Equipment	1,319,306	1,294,780
Furniture	364,062	350,957
Assisted living furniture	140,858	125,270
Vehicles	101,879	101,879
Total property, buildings and equipment	19,925,846	19,373,341
Less: accumulated depreciation	(9,589,893)	(9,042,063)
	10,335,953	10,331,278
Construction in progress	46,932	96,656
	<u>\$ 10,382,885</u>	<u>\$ 10,427,934</u>

NOTE E - ASSETS WHOSE USE IS LIMITED OR RESTRICTED

At September 30, 2013 and 2012, assets whose use is limited or restricted consist of the following:

Money market and bond investments (bond funds) with and managed by the trustees (as required by trust indentures):

	2013	2012
2002 Series A Bond Fund	<u>\$ 728,602</u>	<u>\$ 723,418</u>



## NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2013 and 2012

## NOTE F - LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2013</u>	<u>2012</u>
<p>In September 2002 the California Health Facilities Financing Authority (CHFFA) issued \$7,125,000 of Insured Senior Living Revenue Bonds (2002 Series A) on behalf of the Organization. The bond proceeds were used to finance the demolition of an existing building and the construction of a new assisted living facility. The bonds bear interest rates ranging from 2.00% to 5.25% and mature at various dates through March 1, 2032.</p>		
<p>The loan agreement between the Organization and CHFFA requires in part, the following:</p>		
(i)	<p>Establish and maintain a Capital Replacement Fund in accordance with the provisions of a regulatory agreement, in an initial annual amount of \$150,000 and annual deposits thereafter increased by the Consumer Price Index, to the extent that previous year annual capital expenditures do not exceed the required amount. (At September 30, 2013 and 2012, no reserve is required to be maintained as capital expenditures for the previous year exceeded the required amount.)</p>	
(ii)	<p>May not incur additional indebtedness or dispose of the real property securing the debt without the prior consent of CHFFA.</p>	
	\$ 5,625,000	\$ 5,800,000

Aldersly

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2013 and 2012

NOTE F - LONG-TERM DEBT (continued)

	<u>2013</u>	<u>2012</u>
Note payable to a financial institution, due in monthly installments of \$2,762 including interest at 3%, through September 2019.	<u>181,843</u>	<u>209,097</u>
	5,806,843	6,009,097
Less: current maturities	<u>(213,075)</u>	<u>(202,250)</u>
	<u>\$ 5,593,768</u>	<u>\$ 5,806,847</u>

Future maturities of the long-term debt are as follows:

<u>Year ending September 30,</u>	
2014	213,075
2015	218,932
2016	229,812
2017	240,719
2018	251,653
Thereafter	<u>4,652,652</u>
	<u>\$ 5,806,843</u>

The debt is collateralized by a deed of trust on the real property, certain personal property, and a security interest in the gross revenues of the Organization.

Interest costs on the long-term debt have been charged to other operating expenses and amounted to \$300,941 and \$308,893 for the years ended September 30, 2013 and 2012, respectively.

Aldersly

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2013 and 2012

NOTE G - UNEARNED ENTRANCE FEES AND GUARANTEED REFUNDS

Changes in unearned entrance fees and guaranteed refunds are as follows:

	Unearned Accommodation Fees	Guaranteed Refunds	Total
Balance at September 30, 2011	\$ 3,805,842	\$ 521,970	\$ 4,327,812
Net entrance fees received	889,643	422,040	1,311,683
	4,695,485	944,010	5,639,495
Add: entrance fees receivable	274,103	237,705	511,808
Less: amounts included in revenues	(826,918)	-	(826,918)
Less: refunds	(86,873)	-	(86,873)
Balance at September 30, 2012	4,055,797	1,181,715	5,237,512
Net entrance fees received	1,396,493	339,835	1,736,328
	5,452,290	1,521,550	6,973,840
Add: entrance fees receivable	67,758	135,515	203,273
Less: amounts included in revenues	(878,779)	-	(878,779)
Less: refunds	(122,056)	(128,905)	(250,961)
Balance at September 30, 2013	<u>\$ 4,519,213</u>	<u>\$ 1,528,160</u>	<u>\$ 6,047,373</u>

Unearned entrance fees are reflected in the statements of financial position as follows:

	2013	2012
Unearned entrance fees - exhaustible	\$ 2,512,775	\$ 2,258,599
Unearned entrance fees - non-refundable	2,006,438	1,797,198
Total unearned entrance fees	<u>\$ 4,519,213</u>	<u>\$ 4,055,797</u>

Continuing care retirement communities are required to report a liability recognizing an obligation to provide future services and the use of the facilities to current residents in excess of related anticipated revenues, when the present value of future net cash outflows plus depreciation to be charged related to the contracts exceeds the unearned entrance fees. A calculation of the obligation for future services was done as of September 30, 2013. There was no obligation for future services at September 30, 2013 as the projected revenues exceeded projected expenses by approximately \$12,030,229, discounted to approximately \$7,096,091. The interest rate used to discount the liability (asset) was 5%.

Aldersly

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2013 and 2012

NOTE H - UNRESTRICTED NET ASSETS - BOARD DESIGNATED

Board Designated for Endowment

Certain gifts and realized and unrealized gains or losses on these gifts have been internally appropriated by the Board of Directors to be maintained similar to an endowment fund. Dissolution of this appropriation requires a 3/4 vote of the full Board. The Organization does not have any donor restricted endowment funds.

The Board of Directors adopted a spending policy for the board designated endowment fund with an objective of allocating 3% of the fund balance annually (based on the rolling average of the 12 preceding quarters' balances) to fund various projects at the discretion of the Board.

The investment objective is to provide liquidity for debt service, operations, projects, and capital needs as required. The asset allocations are set up to maintain approximately 35% of the assets in fixed income investments with the remaining assets in equities with large market capitalization and a high level of liquidity.

Board Designated for Capital Replacement

In accordance with the loan agreement with the State of California Health Facilities Financing Agency (refer to Note F), Aldersly is required to establish a reserve to be used for capital improvements. At September 30, 2013 and 2012, there was no requirement to fund this reserve due to the extent of capital improvements in the respective prior year.

Board Designated for Hardship Assistance

The Board Designated Hardship Assistance fund was established to provide assistance to residents who have developed a financial need due to unforeseen or uncontrollable circumstances. The Board of the Organization has established a set of guidelines to be used in considering applications for hardship assistance each year.

Board Designated for Living Room Project

The Board Designated Living Room Project fund was established to provide partial funding for the living room remodel project at the Aldersly facilities. The Board has not yet determined the full cost of the project and will be designating additional funds as necessary in the future to cover anticipated costs.

Aldersly

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2013 and 2012

NOTE H - UNRESTRICTED NET ASSETS - BOARD DESIGNATED (continued)

Changes in unrestricted net assets - board designated are as follows:

	Endowment	Hardship Assistance	Living Room Project	Total
Balances at September 30, 2011	\$ 3,561,674	\$ 199,480	\$ -	\$ 3,761,154
Donations allocated to endowment	9,442	-	-	9,442
Designated investment gain	769,060	-	-	769,060
Amounts allocated by the board	-	1,415	-	1,415
Amounts spent for remodeling costs	(311,920)	-	-	(311,920)
Balances at September 30, 2012	4,028,256	200,895	-	4,229,151
Donations allocated to endowment	123,160	-	-	123,160
Designated investment gain (loss)	581,478	-	(68,064)	513,414
Amounts allocated by the board	-	240	866,004	866,244
Amounts spent for hardship assistance	-	(10,232)	-	(10,232)
Amounts spent for remodeling costs	-	-	-	-
Balances at September 30, 2013	<u>\$ 4,732,894</u>	<u>\$ 190,903</u>	<u>\$ 797,940</u>	<u>\$ 5,721,737</u>

NOTE I - TEMPORARILY RESTRICTED NET ASSETS

At September 30, 2013, temporarily restricted net assets were held for the following purpose:

	2013
Aldersly Care fund	<u>\$ 80,425</u>

NOTE J - RETIREMENT PLAN

The Organization has an Internal Revenue Code section 401(k) retirement plan. Plan participants may elect to defer a portion of their compensation (up to the maximum allowed by law) and have such salary deferrals contributed to their plan accounts. The Organization matches up to 4% of the employee's salary. Matching contributions for the years ended September 30, 2013 and 2012 were \$52,113 and \$50,714, respectively. The Plan also provides for discretionary employer profit sharing contributions to the Plan. There were no discretionary contributions made for the years ended September 30, 2013.

Aldersly

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2013 and 2012

NOTE K - STATEMENTS OF CASH FLOWS - ADDITIONAL DISCLOSURES

Reconciliation of change in net assets to net cash flows provided by operating activities for the years ended September 30, 2013 and 2012 is as follows:

	2013	2012
Change in net assets	\$ 2,680,169	\$ 1,948,810
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in unearned entrance fees		
Net entrance fees received	1,396,493	889,643
Revenue recognized/refunds	(933,077)	(639,688)
Change in return of capital contracts received	346,445	659,745
Amortization of deferred financing costs	33,242	33,242
Depreciation	577,207	555,910
Stock donations	(989,139)	-
Loss on asset disposal	32,239	74,359
Net realized/unrealized (gain) on investments	(1,334,329)	(1,708,404)
Changes in operating assets and liabilities		
Accounts receivable - residents	62,972	(80,093)
Guaranteed refunds	308,535	(419,415)
Accounts receivable - other	8	17,282
Interest and dividends receivable	(457)	3,834
Prepaid expenses	(23,619)	(12,548)
Other asset	-	(1,000)
Accounts payable and accrued expenses	(21,245)	72,842
Deposit liability	83,551	79,138
Net cash provided by operating activities	<u>\$ 2,218,995</u>	<u>\$ 1,473,657</u>

NOTE L - RELATED PARTY TRANSACTIONS

For the years ended September 30, 2013 and 2012, the Organization paid \$38,208 each year to the medical director who also serves as a board member.

## NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2013 and 2012

## NOTE M - COMMITMENTS AND CONTINGENCIES

Legal proceedings

From time to time the Organization is involved in litigation arising out of claims in the normal operations of the Organization. Based on the information presently available, management believes that there are no claims or actions pending or threatened against the Organization which will have a material adverse effect on our financial position, liquidity or results of operations, although the results of the litigation are inherently uncertain and adverse outcomes are possible.

Leases

The Organization consolidated all of its agreements to service and replace, if needed, all of its printers and copiers in previous fiscal years. The term of the amended agreement is 60 months at \$1,455 per month.

Future minimum payments required under the agreement are as follows:

Year ending September 30,

2014	17,460
2015	17,460
2016	11,640
	<hr/>
	\$ 46,560
	<hr/>

The Organization does not have any amounts accumulated for contingencies or amounts that are accumulated for expected or identified projects or purposes.

## SUPPLEMENTAL INFORMATION



Aldersly

SCHEDULES OF GENERAL OPERATING EXPENSES

Years ended September 30, 2013 and 2012

	2013	2012
Plant		
Salaries and wages	\$ 266,421	\$ 303,093
Payroll taxes and related benefits	71,717	81,526
Supplies	74,482	52,118
Maintenance and repairs	81,232	83,271
Utilities	213,201	211,451
Other purchased services	204,103	94,589
	<u>911,156</u>	<u>826,048</u>
Environmental services		
Salaries and wages	156,069	165,728
Payroll taxes and related benefits	34,381	32,637
Supplies	27,708	28,087
Linen and bedding	48,620	51,548
Other	4,811	11,477
	<u>271,589</u>	<u>289,477</u>
Food services		
Salaries and wages	404,848	417,672
Payroll taxes and related benefits	94,764	86,885
Food	394,334	380,943
Supplies	30,539	17,721
Other purchased services	249,886	235,725
Other	25,935	17,595
	<u>1,200,306</u>	<u>1,156,541</u>
Resident services		
Salaries and wages	81,160	78,445
Payroll taxes and related benefits	21,960	14,247
Other	74,110	68,813
	<u>177,230</u>	<u>161,505</u>

Aldersly

SCHEDULES OF GENERAL OPERATING EXPENSES (continued)

Years ended September 30, 2013 and 2012

	2013	2012
Health center		
Salaries and wages	895,805	958,471
Payroll taxes and related benefits	185,112	183,546
Minor equipment	32,045	33,239
Other nonmedical supplies	7,733	6,686
Professional fees	69,350	49,085
Licenses and fees	21,646	6,115
Education	6,973	28,613
Travel and entertainment	2,277	908
Activities	20,965	23,978
Drugs	70,742	100,401
Therapy	259,407	331,796
Anciliaries	14,362	29,410
Other	10,107	2,039
	<u>1,596,524</u>	<u>1,754,287</u>
Assisted living		
Salaries and wages	757,646	741,279
Payroll taxes and related benefits	135,136	125,530
Maintenance and repairs	1,710	3,663
Professional fees	22,925	22,925
Other nonmedical supplies	30,437	27,649
Activities	245	420
Other	5,147	8,749
	<u>953,246</u>	<u>930,215</u>
 TOTAL GENERAL OPERATING EXPENSES	 <u>\$ 5,110,051</u>	 <u>\$ 5,118,073</u>

Aldersly

SCHEDULES OF MARKETING EXPENSES

Years ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Advertising	\$ 68,382	\$ 71,363
Printing	23,512	28,738
Postage	2,574	1,896
Promotion and sales	75,313	79,972
Other	<u>7,067</u>	<u>15,043</u>
<b>TOTAL MARKETING EXPENSES</b>	<b><u>\$ 176,848</u></b>	<b><u>\$ 197,012</u></b>

Aldersly

SCHEDULES OF ADMINISTRATIVE EXPENSES

Years ended September 30, 2013 and 2012

	2013	2012
Salaries and wages	\$ 254,693	\$ 239,585
Payroll taxes and related benefits	58,931	57,287
Professional accounting services	43,104	42,598
Office supplies	13,336	11,832
Postage	3,930	6,073
Maintenance and repairs	29,801	29,855
Other purchased services	189,829	184,823
Management fee	321,345	314,991
Other professional services	126,439	146,449
Travel and transportation	22,597	19,710
Telephone	20,808	18,847
Dues and subscriptions	17,877	15,651
Insurance	159,321	148,996
Property taxes	102,145	51,140
Data communication and connect charges	17,601	19,425
Other	8,688	9,206
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 1,390,445</u>	<u>\$ 1,316,468</u>

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FEB 03 2014

CONTINUING CARE  
CONTRACTS BRANCH

ALDERSLY

CONTINUING CARE RESERVE REPORT AND  
INDEPENDENT AUDITORS' REPORT

September 30, 2013

**R E C E I V E D**  
FEB 03 2014

**INDEPENDENT AUDITORS' REPORT**

**CONTINUING CARE  
CONTRACTS BRANCH**

Board of Directors  
Aldersly

**Report on the Continuing Care Reserve Report**

We have audited the accompanying continuing care reserve report ("Report") of Aldersly as of September 30, 2013. The accompanying Report was prepared for the purpose of complying with California Health and Safety Code Section 1792 and is not intended to be a complete presentation of Aldersly's financial statements.

**Management's Responsibility for the Report**

Management is responsible for the preparation and fair presentation of the Report in accordance with the report preparation provisions of California Health and Safety Code Section 1792; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Report that is free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion the Report based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Report. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Aldersly's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Aldersly's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (continued)

**Opinion**

In our opinion, the Report presents fairly, in all material respects, the liquid reserve requirements of Aldersly as of September 30, 2013 in conformity with the report preparation provisions of California Health and Safety Code Section 1792.

This Report is intended solely for the information and use of the board of directors and management of Aldersly and for filing with the California Department of Social Services and is not intended to be and should not be used by anyone other than these specified parties. However, this Report is a matter of public record and its distribution is not limited.

*DZH Phillips LLP*

San Francisco, California  
January 30, 2014

**FORM 1-1**  
**RESIDENT POPULATION**

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	68
[2]	Number at end of fiscal year	71
[3]	Total Lines 1 and 2	139
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	69.5
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	95
[7]	Number at end of fiscal year	97
[8]	Total Lines 6 and 7	192
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	96
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.72

**FORM 1-2**  
**ANNUAL PROVIDER FEE**

Line		TOTAL
[1]	Total Operating Expenses	\$7,671,626
[a]	Depreciation	\$577,207
[b]	Debt Service (Interest Only)	\$300,941
[2]	Subtotal (add Line 1a and 1b)	\$878,148
[3]	Subtract Line 2 from Line 1 and enter result.	\$6,793,478
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	72%
[5]	Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)	\$4,918,195
		x .001
[6]	<b>Total Amount Due</b> (multiply Line 5 by .001)	<b>\$4,918</b>

**PROVIDER:** ALDERSLY  
**COMMUNITY:**



**FORM 5-1**  
**LONG-TERM DEBT INCURRED**  
**IN A PRIOR FISCAL YEAR**  
**(Including Balloon Debt)**

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	09/25/02	\$175,000	\$295,042		\$470,042
2	09/01/04	\$27,254	\$5,899		\$33,153
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
		<b>TOTAL:</b>	\$300,941	\$0	\$503,195

*(Transfer this amount to  
Form 5-3, Line 1)*

**NOTE:** For column (b), do not include voluntary payments made to pay down principal.

**PROVIDER:** ALDERSLY

**FORM 5-4**  
**CALCULATION OF NET OPERATING EXPENSES**

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		\$7,671,626
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	\$300,941	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	NONE	
	c. Depreciation	\$577,207	
	d. Amortization	\$33,242	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$2,431,301	
	f. Extraordinary expenses approved by the Department	NONE	
3	Total Deductions		\$3,342,691
4	Net Operating Expenses		\$4,328,935
5	Divide Line 4 by 365 and enter the result.		\$11,860
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		\$889,507

**PROVIDER:** ALDERSLY

**COMMUNITY:**

**FORM 5-5**  
**ANNUAL RESERVE CERTIFICATION**

Provider Name: ALDERSLY

Fiscal Year Ended: SEPTEMBER 30, 2013

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended SEPTEMBER 30, 2013 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year 30-Sep-13 are as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	<u>\$503,195</u>
[2] Operating Expense Reserve Amount	<u>\$889,507</u>
[3] Total Liquid Reserve Amount:	<u>\$1,392,702</u>

Qualifying assets sufficient to fulfill the above requirements are held as follows:

<u>Qualifying Asset Description</u>	<u>Amount</u> <u>(market value at end of quarter)</u>	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	<u>\$540,060</u>	<u>\$540,060</u>
[5] Investment Securities	<u>\$8,272,454</u>	<u>\$8,272,454</u>
[6] Equity Securities		
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve	<u>\$728,602</u>	(not applicable)
[10] Other:		
(describe qualifying asset)		
<b>Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]</b>	<u>\$9,541,116 [12]</u>	<u>\$8,812,514</u>
<b>Reserve Obligation Amount: [13]</b>	<u>\$503,195 [14]</u>	<u>\$889,507</u>
<b>Surplus/(Deficiency): [15]</b>	<u>\$9,037,921 [16]</u>	<u>\$7,923,007</u>

Signature:

[Signature]  
(Authorized Representative)

Date: 30-Sep-13

[Signature]  
Director

(Title)

**ATTACHMENT TO FORM 5-5  
ANNUAL RESERVE CERTIFICATION**

Provider Name: ALDERSLY  
Fiscal Year Ended: SEPTEMBER 30, 2013

Aldersly currently maintains its Debt Service Reserve of \$503,195 and its Operating Reserve of \$889,507 by investing in corporate stocks and bonds, U.S. government obligations, cash equivalents and mutual funds with a combined value of \$17,625,028 at September 30, 2013.

As part its bond financing, Aldersly has \$728,602 in reserves held by the bond trustee.

There are no other funds specifically held for identified projects or purposes or any funds maintained or designated for specific contingencies except for board designated reserves of \$5,721,737 and the temporarily restricted net assets of \$80,425. The income from the board designated reserves may be used for hardship assistance to residents or other specific projects identified by the board from time to time.

Total operating expenses for the year ended September 30, 2013 amounted to \$7,671,626. This amount, divided by the mean number of all residents for the year of 96, results in per capita costs of operation of \$79,913.

**FORM 7-1**  
**REPORT ON CCRC MONTHLY SERVICE FEES**

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
<b>[1]</b> Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$3,386 to \$4,839</u>	<u>\$4,497 to \$6,402</u>	<u>\$8,400 to \$9,000</u>
<b>[2]</b> Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>0%</u>	<u>0%</u>	<u>0%</u>

☒ Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

**[3]** Indicate the date the fee increase was implemented: \_\_\_\_\_  
(If more than 1 increase was implemented, indicate the dates for each increase.)

**[4]** Check each of the appropriate boxes:

- ☐ Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- ☐ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
- ☐ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.
- ☐ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- ☐ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
- ☐ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

**[5]** On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

**PROVIDER:** ALDERSLY  
**COMMUNITY:** \_\_\_\_\_

## ALDERSLY

### FORM 7-1 INCREASES IN MONTHLY SERVICE FEES

Year ended September 30, 2013

#### Increases in monthly service fees

Aldersly's continuing care contracts do not specify a rate or dollar amount that monthly fees may be raised on an annual basis. The contract allows for adjustments periodically as deemed necessary based on financial indicators. The Board of Directors is responsible for reviewing financial indicators and recommending increases. Increases are determined on a case by case basis within the parameters set by the Board based on individual resident's factors. There was no increase in service fees for residential living, assisted living, and skilled nursing for the year ended September 30, 2013.

**Continuing Care Retirement Community  
Disclosure Statement  
General Information**

Date Prepared: 12/9/13

FACILITY NAME: Aldersly Garden Retirement Community  
 ADDRESS: 326 Mission Blvd, San Rafael, California ZIP CODE: 94901 PHONE: (415) 453-7425  
 PROVIDER NAME: Aldersly FACILITY OPERATOR: 17 Member Board of Directors  
 RELATED FACILITIES: None RELIGIOUS AFFILIATION: None FEB 03 2014  
 YEAR OPENED: 1921 NO. OF ACRES: 3+ MULTI-STORY:      SINGLE STORY:      BOTH: X  
 MILES TO SHOPPING CTR: 2 Blocks MILES TO HOSPITAL: 4 miles CONTINUING CARE  
 CONTRACTS BRANCH

<b>NUMBER OF UNITS:</b>	<b>INDEPENDENT LIVING</b>	<b>HEALTH CARE</b>
APARTMENTS - STUDIO	<u>15</u>	ASSISTED LIVING
APARTMENTS - 1 BDRM	<u>41</u>	SKILLED NURSING
APARTMENTS - 2 BDRM	<u>    </u>	SPECIAL CARE
COTTAGES/HOUSES	<u>    </u>	DESCRIBE SPECIAL CARE: <u>    </u>
% OCCUPANCY AT YEAR END	<u>86.4%</u>	

TYPE OF OWNERSHIP: ☒ NOT FOR PROFIT ☐ FOR PROFIT ACCREDITED: ☐ Y ☒ N BY:     

FORM OF CONTRACT: ☐ LIFE CARE ☒ CONTINUING CARE ☐ FEE FOR SERVICE  
☐ ASSIGN ASSETS ☐ EQUITY ☒ ENTRY FEE ☐ RENTAL

REFUND PROVISIONS (Check all that apply): ☐ 90% ☐ 75% ☐ 50% ☒ PRORATED TO 0% ☒ OTHER: 50% after 5 years

RANGE OF ENTRANCE FEES: \$87,700 TO \$229,500 LONG-TERM CARE INSURANCE REQUIRED? ☐ Y ☒ N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Priority Placement into SNF & Assisted Living

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: N/A OTHER: No Max. Age

**FACILITY SERVICES AND AMENITIES**

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	HOUSEKEEPING TIMES/MONTH	<u>2x</u>	
BILLIARD ROOM	<input type="checkbox"/>	<input type="checkbox"/>	NUMBER OF MEALS/DAY	<u>3x</u>	
BOWLING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<u>Yes</u>	
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input type="checkbox"/>	<input checked="" type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL NURSING/HOME CARE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input type="checkbox"/>	<input type="checkbox"/>	OTHER <u>    </u>	<input type="checkbox"/>	<input type="checkbox"/>
OTHER <u>    </u>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: Aldersly

CCRCs	LOCATION (City, State)	PHONE (with area code)

**MULTI-LEVEL RETIREMENT COMMUNITIES**


**FREE-STANDING SKILLED NURSING**


**SUBSIDIZED SENIOR HOUSING**


\* PLEASE INDICATE IF THE FACILITY IS LIFE CARE.



PROVIDER NAME: Aldersly

	2010	2011	2012	2013
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b>				
(excluding amortization of entrance fee income)	6,177,935	6,508,179	6,687,619	6,672,943
<b>LESS OPERATING EXPENSES</b>				
(excluding depreciation, amortization, & interest)	5,868,016	6,296,485	6,696,611	6,765,236
<b>NET INCOME FROM OPERATIONS</b>	309,919	211,694	(8,992)	(92,293)
<b>LESS INTEREST EXPENSE</b>	365,249	325,468	308,893	300,941
<b>PLUS CONTRIBUTIONS</b>	689,340	159,729	61,865	1,086,165
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b>				
(excluding extraordinary items)	568,922	(164,277)	1,967,064	1,713,908
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	1,202,932	(118,322)	1,711,044	2,406,839
<b>NET CASH FLOW FROM ENTRANCE FEES</b>				
(Total Deposits Less Refunds)	964,102	449,675	1,334,485	1,485,367

**DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END**

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CHFFA	5,625,000	2.00-5.25%	09/25/02	03/01/32	30 Years
CHFFA	181,843	3.00%	09/01/04	09/01/19	15 Years

**FINANCIAL RATIOS (see next page for ratio formulas)**

	2013 CCAC Medians 50 <sup>th</sup> Percentile (optional)	2011	2012	2013
<b>DEBT TO ASSET RATIO</b>		25.28%	21.85%	19%
<b>OPERATING RATIO</b>		101.75%	104.75%	100.6%
<b>DEBT SERVICE COVERAGE RATIO</b>		0.97	0.15	.13
<b>DAYS CASH-ON-HAND RATIO</b>		625	625	911

**HISTORICAL MONTHLY SERVICE FEES  
AVERAGE FEE AND PERCENT CHANGE**

	2010	%	2011	%	2012	%	2013
STUDIO	3,247	2.2	3,320	1.9	3,386	0.0	3,386
ONE BEDROOM	4,199	1.6	4,267	1.6	4,336	0.0	4,336
TWO BEDROOM							
COTTAGE/HOUSE							
ASSISTED LIVING	169/Day	0.0	169/Day	1.1	173/Day	0.0	173/Day
SKILLED NURSING	275/Day	1.8	280/Day	0.0	280/Day	0.0	280/Day
SPECIAL CARE							

**COMMENTS FROM PROVIDER:** \_\_\_\_\_

## FINANCIAL RATIO FORMULAS

### LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

### OPERATING RATIO

$$\frac{\begin{array}{l} \text{Total Operating Expenses} \\ \text{-- Depreciation Expense} \\ \text{-- Amortization Expense} \end{array}}{\begin{array}{l} \text{Total Operating Revenues} \\ \text{-- Amortization of Deferred Revenue} \end{array}}$$

### DEBT SERVICE COVERAGE RATIO

$$\frac{\begin{array}{l} \text{Total Excess of Revenues over Expenses} \\ \text{+ Interest, Depreciation,} \\ \text{and Amortization Expenses} \\ \text{-- Amortization of Deferred Revenue} \\ \text{+ Net Proceeds from Entrance Fees} \end{array}}{\text{Annual Debt Service}}$$

### DAYS CASH ON HAND RATIO

$$\frac{\begin{array}{l} \text{Unrestricted Current Cash} \\ \text{And Investments} \\ \text{+ Unrestricted Non-Current Cash} \\ \text{and Investments} \end{array}}{(\text{Operating Expenses -- Depreciation} \\ \text{- Amortization})/365}$$

**Note:** These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.